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DETERMINANT FACTORS AFFECTING THE AUDIT QUALITY: A JORDANIAN PERSPECTIVE

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ABSTRACT
The main aim of this study was to determine the factors affecting the audit quality, namely: independence, expertise, number of meetings and size of the audit committee. Independence of auditors is the main basis of public trust in the public accountant profession and it is one of the factors to evaluate the quality of audit service. Expertise is defined as one's skill which is obtained by working regularly. Size of the audit committee and number of meeting held are also other determinants of Audit Quality. The location of this research was companies listed on the Amman Stock Exchange (ASE) (Amman Stock Exchange). Industrial Jordanian firms are selected for this study. Data was collected manually from annual audited reports. Sample firms represented a number of industrial sectors such as electronics, food products, industrial products, telecommunication etc. This study covered the period 2012 to 2017 and therefore offers a contemporary analysis of the influence of audit committee characteristics on financial reporting quality. This paper tests the hypothesis that independence, expertise, size and no. of meetings held by the audit committee affect audit quality. The findings of this research support that independence and expertise affect audit quality and reject that size affects audit quality.

KEYWORDS
auditor's independence, financial expertise, audit quality.

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INTRODUCTION
Accounting scandals that have been experienced in the last few years have affected the regulator's trust of financial statements'. This scandal and its subsequent results were the main reason for drawing attention towards the quality of financial statements. The notion of financial reporting quality is equivalent to the effectiveness of the external audit process and overseeing the external audit process is the prime responsibility of the audit committees (C. M. Ghafran, 2013). Audit quality sees as the combined possibility that the external auditor discovers irregularity in financial statements and discloses it to the stakeholders of the financial statements (Rainsbury, Bradbury, & Cahan, 2009). Behn, Choi, and Kang (2008) suggest that higher audit quality contributes to more informative financial information and allows analysts to make more precise estimate of a firm's value. Thus, audit quality adds a significant value to investors in capital markets because they often use audited financial statements by auditors as the main basis for investment decisions (Sudsomboon & Ussahawanitchakit, 2009).

Research suggests that audit committees can strengthen the quality of financial reporting. Firms involved in fraudulent financial reporting are less likely to have an audit committee (McMullen & Raghunandan, 1996). Fraudulent reporting firms are also less likely to have audit committees that are active and independent (M. S. Beasley, Carcello, Hermanson, & Lapides, 2000) or audit committees that are active and have financial expertise (Farber, 2005). Firms with audit committees that are independent and active are also less likely to experience other accounting irregularities (Abbott, Park, & Parker, 2000b; Peasnell, Pope, & Young, 2001).

The audit committee characteristics are the potential mechanisms that reduce the agency problem in firms and examining these mechanisms separate from alternate governance mechanisms may have led to varied results in the literature. Mitchell Van der Zahn, Singh, and Singh (2008). showed that the relation between an audit committee and the quality of audit can potentially enhance the quality of financial statements published to the external stakeholders. In response to financial crises, audit committees were established by the Jordanian government in 2008 as part of a series of accounting reforms to improve corporate governance practices, restore investors' confidence in listed companies and promote stock market reform in the country. However, the government's recommendation for the establishment of audit committees was only of a voluntary nature. It was only in 2013 that the establishment of an audit committee was made mandatory for all companies listed on the Amman Stock Exchange (ASE) (Amman Stock Exchange, 2014). To this end, the main purpose of this study is to examine the effect of audit committees on the financial reporting quality in the Jordanian context.

OBJECTIVES OF THE STUDY
1- To examine the relationship between audit committee characteristics (including: size, independence, expertise, meetings) on the financial reporting quality in the context of a Jordanian industrial listed firms over the period 2012-2017.
2- To explore the level of compliance with the AC characteristics (including: size, independence, expertise, meetings) among Industrial Jordanian listed firms over the period 2012-2017.

HYPOTHESIS
H_{01}: There is no relationship between audit committee characteristics – independence, expertise, size and meetings and audit quality in Jordanian corporations.
H_1: There is a relationship between audit committee characteristics – independence, expertise, size and meetings Independence and audit quality
H_{02}: There is no relationship between the level of compliance with the AC characteristics (including size, independence, expertise, meetings) and audit quality in Jordanian corporations.
H_2: There is a relationship between the level of compliance with the AC characteristics (including size, independence, expertise, meetings) and audit quality in Jordanian corporations.

REVIEW OF LITERATURE

Zhang, Zhou, and Zhou (2007) conducted a research on, "Audit committee quality, auditor independence, and internal control weaknesses". This study investigated the relation between audit committee quality, auditor independence, and the disclosure of internal control weaknesses after the enactment of the Sarbanes-Oxley Act. We begin with a sample of firms with internal control weaknesses and, based on industry, size, and performance, match these firms to a sample of control firms without internal control weaknesses. Our conditional logit analyses indicate that a relation exists between audit committee quality, auditor independence, and internal control weaknesses. Firms are more likely to be identified with an internal control weakness, if their audit committees have less financial expertise or, more specifically, have both less accounting financial expertise and non-accounting financial expertise. They are also more likely to be identified with an internal control weakness, if their auditors are more independent. In addition, firms with recent auditor changes are more likely to have internal control weaknesses.

Prawitt, Smith, and Wood (2009) conducted research on the title "Internal audit quality and earnings management" had investigated studies the relation between internal audit function (IAF) quality and earnings management. We measure IAF quality using a composite measure comprising six individual components of IAF quality based on SAS No. 65, which guides external auditors in assessing the quality of an IAF with respect to its role in financial reporting. Earnings management is measured using two separate proxies: (1) abnormal accruals and (2) the propensity to meet or barely beat analysts' earnings forecasts. We find evidence that IAF quality is associated with a moderation in the level of earnings management as measured by both proxies.

Lin and M. Hwang (2010) studied on the title "Audit quality, corporate governance, and earnings management: A meta-analysis". This studies had investigated the effects of various corporate governance and audit quality variables on earnings management, empirical evidence is rather inconsistent. This meta-analysis identifies 12 significant relationships by integrating results from 48 prior studies. For corporate governance, the independence of the board of directors and its expertise have a negative relationship with earnings management. Similar negative relationships exist between earnings management and the audit committee's independence, its size, expertise, and the number of meetings. The audit committee's share ownership has a positive effect on earnings management. For audit quality, auditor tenure, auditor size, and specialization have a negative relationship with earnings management. Auditor independence, as measured by fee ratio and total fee, is also a deterrent to earnings management.

Daniels and Booker (2011) carried out "The effects of audit firm rotation on perceived auditor independence and audit quality". Explored loan officers' perceptions of auditors' independence and audit quality under three experimental audit firm rotation scenarios. We use a case experiment with a between-subjects design to determine whether rotation of the audit firm impacts financial statement users' perceptions of auditor's independence and quality. Findings based on 212 useable responses indicate that loan officers do perceive an increase in independence when the company follows an audit firm rotation policy. However, the length of auditor tenure within rotation fails to significantly change loan officers' perceptions of independence. Findings also indicate that neither the presence of a rotation policy nor the length of the auditor tenure within rotation significantly influences the loan officers' perceptions of audit quality.

Alzoubi (2016) conducted research on the topic" Audit quality and earnings management: evidence from Jordan". Tested the association between audit quality and earnings management (EM). The sample contained 86 companies listed on the Amman Stock Exchange (ASE) from 2007 to 2010. The cross-sectional modified Jones model was employed to measure discretionary accruals as a proxy for EM. The result inferred that EM level is significantly lower among companies using the services of independent auditors.

Onyabe, Okpanachi, Nyor, Yahaya, and Ahmed (2018) carried out research on" Effect of Audit Committee Tenure on Financial Reporting Quality of Listed Deposit Money Banks in Nigeria" examined the effect of audit committee tenure on financial reporting quality of listed deposit money banks in Nigeria. The study uses panel data obtained from the Nigerian Stock Exchange factbooks and the financial statements of 14 listed deposit money banks over a period of 10 years (2007-2016). The study uses cross sectional and time series research design. Financial reporting quality was measured using the modified Jones (1991) model and changes in working capital model, while audit committee tenure was measured as the mean tenure of audit committee members. The data was analyzed using descriptive (mean, standard deviation, minimum and maximum) and inferential statistics (correlation and regression analysis). The study reveals that audit committee tenure has a negative and insignificant effect on financial reporting quality under the two models. The implication of these results is that the tenure of audit committee members is not important when considering the financial reporting quality of deposit money banks in Nigeria. The study therefore concludes that the effect of audit committee tenure on financial reporting quality of deposit money banks in Nigeria is negative and insignificant. Based on this conclusion, the study recommends that further research should be conducted on other audit committee attributes in order to see which of the attributes may have significant effect on financial reporting quality.

FINANCIAL REPORTING QUALITY

DeAngelo (1981a) argued that audit quality depends on the joint probability of an auditor discovering and disclosing a problem in an accounting system. Bradshaw, Richardson, and Sloan (2001)defined audit quality as the willingness to report any material manipulation or misstatements that will increase the material uncertainties and/or going concern problems.

Audit committee size

Audit Committee size is the number of directors serving the committee. According to JCGC, an audit committee established by the board of directors should be composed of not less than three members including the chairman of the committee. (Braiotta Jr, 2000) propose that these recommendations on audit committee size are consistent with the need to increase the executive status of the audit committee.

Audit committee meeting

Audit committee meetings refer to the number of audit committee meetings held annually. Prior research on governance best practices recognize that audit committees need to be diligent in carrying out their duties (Abbott, Parker, & Peters, 2004; Committees, 1999).

Audit committee expertise

AC members typically have responsibility for oversight over FR process as well as corporate disclosures practices (Felo, Krishnamurthy, & Solieri, 2003) so they must possess accounting, financial and auditing expertise. The Blue Ribbon Committee (1999) propose that minimum three audit committee members should be financially literate and at least one of whom has accounting or related accounting and financial management expertise

Audit committee independence

Audit committee independence means the proportion of independent members in the audit committee. Audit committee independence is considered as a main factor used for the improvement of FR quality (J. V. Carcello, Hermanson, & Ye, 2011). According to (Persons, 2005) someone who has no financial and personal relationships with the company and its executives is called independent committee member.

Statistical Tools

To begin with, the descriptive analysis is performed first that includes sample values such as the mean, median and standard deviation as well as skewness and kurtosis of the sample variables. This then follows by the Pearson correlation matrix to investigate the bivariate association amongst the variables. Then OLS multivariate regression technique is employed to examine the relationship between a single dependent variable and various explanatory variables. Prior literature suggests that the sample has to fulfil five fundamental assumptions for the OLS regression analysis to be valid (Chen et al., 2003; Hair et al., 2010). These assumptions include: (1) Normality - The errors (residuals) should be normally distributed (2) Linearity - The relationship between the predictors and the response variable should be linear. (3) Homoscedasticity - The error variance should be constant (4) Independent - The errors associated with one observation should not be correlated with the errors of other observations. (5) Multicollinearity - There should be no exact collinearity among predictors. The literature also highlights that mild violations of these five assumptions are robust and unaffected in many situations (Glass and Hopkins, 1984; Newman et al., 1989). Therefore, the multivariate regression analysis is performed using OLS regression analysis technique. Finally, robust analysis is carried out using yearly predictors and the big and small firms. Various other tests are also performed to check for the multicollinearity and hetroscedasticity. The statistical software SPSS has been used to conduct the above statistical analysis.

Sampling

The population for the study consists of Industrial firms listed on the Amman Stock Exchange. As the period of selection for this study was 2012 – 2017, this study includes only those companies that existed throughout this period. The ASE database automatically generates a list of only those companies which are still in operation, discarding all those companies which are either dead, merged or not in operation for any other reason.

Measurement of Dependent Variables (Audit Quality)

In view of the multi-dimensional nature of the term 'audit quality' and the various definitions provided in the review of the literature to gauge audit quality, this study explores the two key aspects of audit quality, auditor effort and auditor independence, by employing the measure namely audit fee ratio. Appropriately structured audit committees have the potential to improve both the quality of companies' financial reporting, as well as ensuring the independence of the statutory external audit. The provision of higher quality audit adds additional costs to the audit firm and consequently these costs are passed on to the client. The signalling hypothesis provides the linkage between the audit quality and audit fee. Consequently, this study extracts the audit fee amount from the company's annual financial statements and utilises it as the first proxy to measure audit quality.

Measurement of Independent Variables

This study uses a number of variables to proxy for audit committee characteristics. It is possible since current governance disclosures in the Jordan make explicit recommendations in relation to specific audit committee characteristics (i.e. size, independence, meeting frequency and expertise) and also require details of compliance with these recommendations to be disclosed in the annual report (ASE, 2017). Consequently, this study utilises these disclosures to construct the key independent variables necessary for this investigation. The main independent variables of interest and their measurement constructs are as follows.

Audit Committee Size

Audit committee size is a continuous variable and is measured in absolute terms. The information on the audit committee size was collected by hand using corporate governance section of annual reports of each company.

Audit Committee Expertise

The essence of audit committee expertise is captured using governance expertise. Audit committee's financial expertise is a continuous variable, measured as the proportion of audit committee members with overall financial expertise. The notion of overall financial expertise is measured using the current definition of financial expertise which includes members with work experience as a certified public accountant, auditor, chief financial officer, financial comptroller or accounting officer. This also includes members with work experience such as an investment banker, financial analyst, or any other financial management role and/or a chief executive officer, chairman or company president. This suggests that the term financial expertise could entail the accounting and finance expertise, as well as an expertise in the preparation of financial.

Audit Committee Independence

Audit committee independence is a continuous variable, measured as the proportion of audit committee members declared as independent by the board.According to the Jordanian corporate governance codes 2010), 'A non-executive director is considered independent when the board determines that the director is independent in character and judgement, and there are no relationships or circumstances which could affect, or appear to affect, the director's judgment'.

Audit Committee Meetings

Audit committee meetings is also a continuous variable, measured as the number of audit committee meetings held for the whole year.The information on audit committee meetings was handpicked and collected using the corporate governance section of the annual report of each company.

Empirical Research Models and Tests

This study utilises empirical proxy to test the hypotheses set out for this study. The proxy, i.e. audit fee ratio, investigate the association between audit committee characteristics and audit quality.

Audit Committee Characteristics and Audit Quality Model:

This stage of the study utilizes the empirical models that makes use of the corresponding variables containing the absolute values for each of the four audit committee characteristics currently recommended as best practice for Jordanian listed companies (ASE, 2017)(Jordan Corporate Governance Codes). The empirical model testing the relationship between the audit committee characteristics and audit quality using audit fee ratio as proxy to measure audit quality is as follow.

Audit Fee Model

Model: $LOG(AF) = \beta 0 + \beta 1ACSIZE + \beta 2AC\%IND + \beta 3ACMEETINGS + \beta 4AC\%FINEXP + \varepsilon$.

Dependent variable:

1 – LOG (AF) = the natural log of audit fee and

Independent variables:

AC Size = number of audit committee members;

AC Meetings = Number of audit committee meetings held during the year;

AC % Ind = Percentage of audit committee members who are independent non-executive directors;

AC % Fin Exp = Percentage of audit committee members who are financial experts.

DATA ANALYSIS AND INTERPRETATION

DESCRIPTIVE STATISTICS

TABLE 1: OVERALL DESCRIPTIVE STATISTICS OF THE AUDIT COMMITTEE CHARACTERISTICS FOR 10 INDUSTRIES FOR THE ENTIRE PERIOD OF STUDY

Statistics	Independence	Expertise	meetings	size	Audit_fees
Mean	0.49	0.26	3	2	12540
Median	0.67	0.33	4	3	8000
Standard Dev.	0.277042	0.206492	1.812448	1.244626	14209.11
Kurtosis	-0.75293	-0.54563	-0.88796	-0.04637	11.90099
Skewness	-1.03264	0.169386	-0.79744	-1.31025	3.381805
Minimum	0.00	0.00	0	0	800
Maximum	0.67	0.75	6	5	81200
Sum	160.40	86.93	981	785	4138242
Count	330	330	330	330	330

The above Table 1 shows the overall mean, standard deviation, kurtosis and Skewness. The results of the analysis of the data showed that on an **average**, the industries in the sample have an independence value of 0.49 over the entire period of study of six years. The mean of Expertise for the entire period is 0.26, meetings is 3, size is 3 and Audit_fees is 12540.

Standard deviation is a number used to tell how measurements for a group are spread out from the average (mean), or expected value. A low **standard deviation** means that most of the numbers are very close to the average. A high **standard deviation** means that the numbers are spread out. A **standard deviation** close to 0 indicates that the data points tend to be very close to the mean (also called the expected value) of the set, while a **high standard deviation** indicates that the data points are spread out over a wider range of values.

The standard deviation for the entire data including all 10 industries under study for independence is 0.2770, Expertise is 0.2065 the low value indicates that most of the values are very close to the mean. However, the high values of standard deviation for meetings is 1.813, Size is 1.245 and Audit_Fees is 14209.11 which indicates that the data points are spread out over a wider range from the mean.

The number of meeting held varied from 0 to 6 and there was no consistency in the number of meetings held during the years. Hence there was a high value of standard deviation. Same was observed with the variable size of the audit committee.

Skewness is a measure of the symmetry in a distribution. It measures the amount of probability in the tails. The value is often compared to the kurtosis of the normal distribution, which is equal to 3. If the kurtosis is greater than 3, then the dataset has heavier tails than a normal distribution (more in the tails).

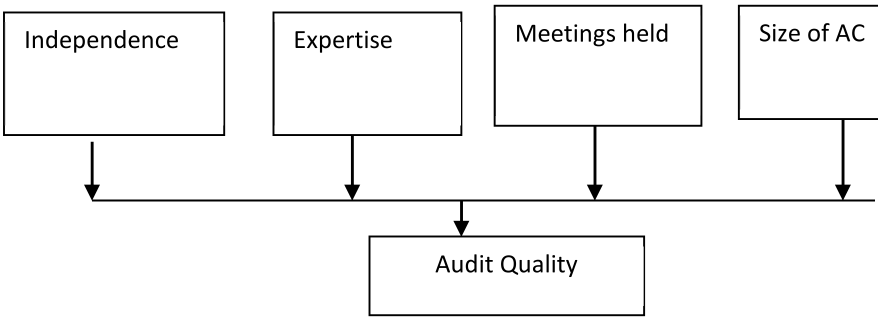
As a general rule of thumb: If skewness is less than -1 or greater than 1, the distribution is highly skewed. If skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed. If skewness is between -0.5 and 0.5, the distribution is approximately symmetric.

The value of kurtosis for the entire data set is independence (-1.0326), Expertise (0.1694), meetings (-0.7974), Size (-1.3103) and Audit_Fees (3.382) respectively which is much lower than the kurtosis of the normal distribution (3.0). It can be inferred from the above values that the dataset has lighter tails than a normal distribution. Only the value for Audit_Fees (3.382) is greater than 3.

The skewness values of independence (-0.7529), Expertise (-0.5456), meetings (-0.8880), Size (-0.04637) and Audit_Fees (11.901) respectively all less than -1 and greater than 1 which indicates that the distribution is highly skewed for the entire data set.

Frame work adopted to test the hypothesis:

CHART 1



Validity Testing

The purpose of validity testing is to know how far the instruments measure correctly and accurately. Validity testing used product moment correlation with the criterion of acceptance as the following:

The item of data is valid if $r_{statistic}$ is higher than r_{table} (critical value) at degree of freedom 95% (α = 0.05).

Reliability Testing

The purpose of reliability testing is to examine the consistency of the data. In this research the reliability is measured by the internal consistency approach, that is, the concept stressing on the consistency between items of data collected. SPSS software gives the facility to analyze this test using Cronbach's Alpha. A construct or variable is reliable if the Cronbach's Alpha is more than 0.6 (Ghazali 2006). After all instruments were tested on validity and reliability, the classical assumption of multiple linear regression was tested for the following aspects.

Statistical Test Result of Validity and Reliability Testing:

TABLE 2 (A): RELIABILITY STATISTICS

	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Independence	.055	.874
Financial_Expertise	.250	.874
Meetings	.125	.874
Size	.092	.874
Audit_fees	.965	.848
Overall of all variables	.273	.870

TABLE 2 (B): OVERALL RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.873	.935	38

Interpretation

The results of all correlation coefficients for all items have total scores of 0.273 which is more than 0.244 (critical value), thus all data in this research are valid. While the result of reliability testing using Cronbach's alpha for independence is 0.874; Financial_expertise is 0.0.874; meetings is 0.0.874; size is 0.874 and the audit fees is 0.848. It means that all values of Cronbach's alpha are more than 0.6. Thus all data are reliable.

Hypothesis Testing

There is one dependent variable correlated to four independent variables. Therefore, data was analyzed based on multiple linear regression, with the following equation:

Y = a + b1X1 +b2X2 +b3X3 +b4X4+ e

Explanation : Y = audit quality a = value of Y if X1,X2,X3,X4 = 0 b1,b2, b3,b4= coefficients of regression X1 = independence X2 = expertise X3 =meetings, X4=size, e = residual value

Multicolinearity is a condition in which one or more independent variables are in a linear contribution with other independent variables. It means that one or more independent variables correlate with other independent variables. Multicolinearity testing can be analysed from variance inflation factor (VIF), in which if VIF is less than 10, there is no multicolinearity.

Audit_Fees (Dependent Variable)

TABLE 3 (A): VARIABLES ENTERED/REMOVED[a]

Model	Variables Entered	Variables Removed	Method
1	Size, Independence, Meeting, Expertise[b]	.	Enter

a. Dependent Variable: Audit_Fees

b. All requested variables entered.

TABLE 3 (B): MODEL SUMMARY[b]

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.530[a]	.281	.229	4752.9822	.281	5.372	4	55	.001	.386

a. Predictors: (Constant), Size, Independence, Meeting, Expertise

b. Dependent Variable: Audit_Fees

From the above regression analysis shown in table 3(b), the value of R (represents simple correlation) obtained is 0.530 which indicates moderate correlation and R Square value is 0.281. Further the adjusted R square value was found to be 0.229 which indicated that there was a contribution of 22.9%. The value obtained for standard error of estimate is 4752.9822 and the value of comparison of coefficient of determination and Durbin – Watson statistic based on the first difference level of data is 0.386

The Durbin Watson (DW) statistic is a test for autocorrelation in the residuals from a statistical regression analysis. The Durbin-Watson statistic will always have a value between 0 and 4. A value of 2.0 means that there is no autocorrelation detected in the sample. Values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation.

The Durbin-Watson statistic obtained is 0.386 (nearer to 0) which is between 0 and less than 2 and therefore the data is positively auto-correlated.

Interactions in regression- An interaction is the combined effect of two independent variables on one dependent variable. Interactions in SPSS must be calculated before including in a model.

Regression ANOVA

Analysis of variance (ANOVA) is a collection of statistical models used to analyze the differences among group means and their associated procedures (such as "variation" among and between groups), which was developed by statistician and evolutionary biologist Ronald Fisher

TABLE 3 (C): ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	485445538.043	4	121361384.511	5.372	.001[b]
	Residual	1242496832.890	55	22590851.507		
	Total	1727942370.933	59			

a. Dependent Variable: Audit_Fees

b. Predictors: (Constant), Size, Independence, Meeting, Expertise

This table indicates that the regression model predicts the dependent variable significantly well. The "**Regression**" row and the "**Sig.**" column, indicates the statistical significance of the regression model that was run. Here, $p < 0.001$, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data).

In regression ANOVA, the value of F obtained is 5.372 which greater than the critical value 3.65 and also p=0.001 is less than p=0.05 and thus is highly significant.

The **Coefficients** table provides us with the necessary information to predict the relationship between the dependent variable and the audit committee characteristics (Independence, Expertise, Meeting and Size), as well as determine whether Independence, Expertise, Meeting and Size statistically significantly to the model (by looking at the "**Sig.**" column). Furthermore, we can use the values in the "**B**" column under the "**Unstandardized Coefficients**" column, as shown below:

TABLE 3 (D): COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-43.726	4231.893		-.010	.992		
	Independence	5087.217	6067.614	.101	.838	.405	.895	1.117
	Expertise	8911.587	8889.092	.198	1.003	.320	.336	2.978
	Meeting	1320.773	869.124	.230	1.520	.134	.568	1.760
	Size	1345.481	1479.150	.177	.910	.367	.343	2.912

a. Dependent Variable: Audit_Fees

To present the regression equation as:

Audit Fee= $\beta_0 + \beta_1$ AC%IND + β_2 AC%FINEXP + β_3 ACMEETINGS + β_4 ACSIZE +ε

= -43.97226215 + 5087.658242* AC%IND + 8911.780094* AC%FINEXP +1320.742738ACMEETINGS + 1345.49325ACSIZE +ε

RESULTS OF HYPOTHESES TESTING

First hypothesis states that independence, expertise, size and meetings affect audit quality simultaneously. From the result of F-test, it is known that the calculation of F results in 5.372 with the probability value of 0.001 which smaller than α (0.05). This value is compared with the value on the F table (critical value), i.e., 2.76. Since Fstatistic (5.372) is higher than that of critical value (2.76), and also the probability value of 0.001 is smaller than α (0.05), the first hypothesis in this research is accepted.

Hypothesis 2

The Board of Directors should establish an Audit Committee to Review financial statements and ensure that management adequately develops and adheres to internal controls and accounting policies. The Internal Audit Department's conclusions are to be evaluated on a regular basis. As per Jordanian Companies Law it is mandatory for the audit committee to hold **meetings** four times in a year.

When industries under review were studied, it was found that some of them did not meet four times in a year. This proves non-compliance with the first AC characteristic Meetings. When the financial statements of the companies are being audited, true and fair disclosure of the operations and transactions of the companies are expected to be followed. An auditor who is appointed by the company must be given freedom to report the actual condition of the firm. Hence, the concept of auditor's **independence** comes into picture. But, disclosure on boards and committees' meetings about the activities of the companies is very limited, and reports do not unveil whether governing bodies are playing a strategic role on a company's performance. The same was found in the study. Hence, null hypothesis (There is no relationship between the level of compliance with the AC characteristics (including size, independence, expertise, meetings) and audit quality in Jordanian corporations) was accepted.

CONCLUSION

Based on the result of analysis using multiple linear regression independence, expertise, size and meetings affect audit quality simultaneously. It means that when an auditor has independence, expertise and size simultaneously; audit quality improves.

The finding on this research, in which independence affects audit quality, is in accordance with Alim (2007). De Angelo (1981) as well agrees to this finding as he states that independence is an important factor affecting audit quality, beside the technical competence of the auditor. This finding is also in accordance with Defond et al. (2002), Geiger and Raghunandan (2002), and Dang (2004). The rationalization of this finding is because independence is the corner stone of the audit profession. Therefore, when an auditor behaves more independently, the quality of audit improves.

This research shows that experience affect audit quality. This result is concurrence to Kolodner's argumentation (1996) in which she explains that experience is one of important factors to improve quality in doing a job. On the other hand, this finding is contrary with Ashton (1990) who argues that experience is not directly related to the quality of audit job, because sometimes it is difficult to learn in a limited time when doing accounting and audit activity.

Thus like another prior research, this research found that Independence, expertise, size and meetings affect audit quality simultaneously.

This research can contribute to arguments on similar ideas that may be used by anybody interested in this issue, particularly for the auditors so that they can improve the quality of audit jobs. An auditor should always keep and improve independence and expertise because both factors affect audit quality.

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